

SAN DIEGO COUNTY FLOOD CONTROL DISTRICT

Audit Report

FLOOD CONTROL SUBVENTIONS PROGRAM

Sweetwater River Flood Control Project

August 16, 1990, through May 18, 1995



JOHN CHIANG
California State Controller

May 2013



JOHN CHIANG
California State Controller

May 3, 2013

Mark Cowin, Director
Department of Water Resources
1416 Ninth Street, Room 1115-1
Sacramento, CA 95814

Dear Mr. Cowin:

The State Controller's Office audited claims submitted by the San Diego County Flood Control District under the Flood Control Subventions Program.

The district claimed costs of \$1,419,752 for the Sweetwater River Flood Control project for the period of August 16, 1990, through May 18, 1995. Our audit found that \$1,335,564 is allowable and \$84,188 is unallowable.

The unallowable costs of \$84,188 occurred because the district claimed a \$73,000 refund from the U.S. Army Corporation of Engineers as an incurred cost and claimed \$11,188 of ineligible indirect costs.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

cc: Nahideh Madankar, Chief
Flood Control Subventions Program
Division of Flood Management
Department of Water Resources
Gitanjali Shinde, Assitant Engineer
San Diego County Flood Control District
Tracy Sandoval, Auditor and Controller
County of San Diego
Honorable Ron Roberts, Chairperson
San Diego County Board of Supervisors

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Audit Report

Summary

The State Controller's Office (SCO) audited the reimbursement claims of the San Diego County Flood Control District under the Flood Control Subventions Program. Our audit included the Sweetwater River Flood Control Project, for the period of August 16, 1990, through May 18, 1995.

The district claimed \$1,419,752 during the audit period. Our audit found that \$1,335,564 is allowable and \$84,188 is unallowable.

The unallowable costs occurred because the district claimed a \$73,000 refund from the U.S. Army Corps of Engineers as an incurred cost and claimed \$11,188 of ineligible indirect costs.

Background

The State of California provides financial assistance to local agencies participating in the construction of federal flood control projects. Under the Flood Control Subventions Program (California Water Code, Division 6, Part 6, Chapters 1 through 4), the California Department of Water Resources (DWR) pays a portion of the local agency's share of flood control project costs, including the costs of rights of way, relocation, and recreation and fish and wildlife enhancements.

California Water Code section 12832 authorizes the State Controller to audit the books and records of local agencies to determine whether the state funds received were expended for the purposes and under the conditions authorized.

Objective, Scope, and Methodology

Our audit objective was to determine whether the costs claimed as presented in the Summary of Project Costs (Schedule 1) are allowable and in compliance with the DWR's *Guidelines for State Reimbursement on Flood Control Projects*.

We conducted this performance audit under the general authority of Government Code section 12410 and the specific authority under California Water Code section 12832. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The sampling method we used to test transactions was haphazard sampling. The areas examined included:

- Claim preparation process
- Relocation costs
- Other allocable costs
- Revenue recognition

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are shown on the Summary of Project Costs (Schedule 1) and described in the Findings and Recommendations section. The San Diego County Flood Control District claimed \$1,419,752 for the Sweetwater River Flood Control project under the Flood Control Subventions Program for the period of August 16, 1990, through May 18 1995. Our audit found that the claimed amounts for the audit period included allowable costs of \$1,335,564 and unallowable costs of \$84,188.

**Views of
Responsible
Official**

We issued a draft audit report on March 8, 2013. Cid Tesoro, Flood Control District Manager, responded by letter dated March 27, 2013, agreeing with the audit results. This final audit report includes the district's response as an attachment.

Restricted Use

This report is solely for the information and use of the San Diego County Flood Control District, the DWR, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

May 3, 2013

**Schedule 1—
Summary of Project Costs
August 16, 1990, through May 18, 1995**

Project/ Claim Number	Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹	State Share of Eligibility Percentage ²	State Share of Allowable Costs ²
Sweetwater River Flood Control Project						
SWR 92-1	\$ 413,789	\$ 329,601	\$ (84,188)	Findings 1 and 2	100%	\$ 329,601
SWR 95-1	1,005,963	1,005,963	—		100%	1,005,963
Totals	<u>\$ 1,419,752</u>	<u>\$ 1,335,564</u>	<u>\$ (84,188)</u>			<u>\$ 1,335,564</u>

¹ See the Findings and Recommendations section.

² The state share of allowable project costs represents the percentage of state funding, as stipulated in the California Water Code, for each project cost category.

Findings and Recommendations

**FINDING 1—
Cash payments not
incurred**

The district claimed \$279,000 in payments to the U.S. Army Corps of Engineers. The Corps refunded \$73,000 of this amount back to the district.

The California Department of Water Resource's (DWR) *Guidelines for State Reimbursements on Flood Control Projects* (February 1974), Section VI, Part B, specifies that the State will reimburse the local agency for costs incurred.

As a result, claimed costs not incurred, in the amount of \$73,000, are disallowed.

Recommendation

The agency should reduce its claim for reimbursement by \$73,000. In the future, the agency should reduce its claimed costs by the amount of any refunds received.

District's Response

The district agreed with the finding.

**FINDING 2—
Unallowable
overhead**

The district claimed \$11,188 in costs identified as indirect labor and department overhead. The district's supporting records did not detail the components and computations utilized in determining indirect labor and department overhead. Administrative overhead is not reimbursable.

The DWR's *Guidelines for State Reimbursement on Flood Control Projects* (February 1974), Section IV, Part E, specifies that the local agency may not be reimbursed for its own administrative overhead. The DWR defines administrative overhead to include the salaries and fringe benefits of the executive officer in charge of the local agency, the officer's deputy, and their immediate stenographic support. It also includes a pro rata rent charge for the use of the office furniture and equipment owned by the local agency.

As a result, claimed administrative overhead costs of \$11,188 are disallowed.

Recommendation

The agency should reduce its claim for reimbursement by \$11,188. In the future, the agency should not claim the cost of its own administrative overhead.

District's Response

The district agreed with the finding.

**Attachment—
District's Response to
Draft Audit Report**



County of San Diego

RICHARD E. CROMPTON
DIRECTOR

DEPARTMENT OF PUBLIC WORKS

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March 27, 2013

Jeffrey V. Brownfield, CPA
Chief, Division of Audits
3301 C Street, Suite 700
Sacramento, CA 95816

Dear Mr. Brownfield:

RESPONSE TO DRAFT AUDIT REPORT FOR THE SWEETWATER RIVER FLOOD CONTROL PROJECT

On March 14, 2013 the County of San Diego's Flood Control District (District) received the *Draft Audit Report for the Sweetwater River Flood Control Project* for claims submitted by the District under the State of California's Flood Control Subvention Program.

The draft report states that the District claimed costs of \$1,419,752 for the Sweetwater River Flood Control project for the period of August 16, 1990 through May 18, 1995. Your audit found that \$1,335,564 is allowable and \$84,188 is unallowable. The unallowable costs of \$84,188 occurred because of a \$73,000 refund from the U.S. Army Corps of Engineers and \$11,188 of ineligible indirect costs.

Please accept this letter as a concurrence to your findings.

If you have questions, please contact Gitanjali Shinde, Assistant Engineer, at (858) 694-3661, or gitanjali.shinde@sdcounty.ca.gov.

Sincerely,

CID TESORO, Flood Control District Manager
San Diego County Flood Control District

CT:GS:js

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